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**THE IMPACT OF *SUKUK* ISSUANCES ON THE ECONOMIC GROWTH IN
MALAYSIA**

By

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UUM
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**Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
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In Partial Fulfillment of the Requirement for the Master in Islamic Finance and
Banking**

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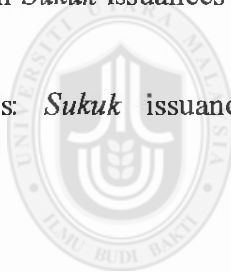


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ABSTRACT

Sukuk market has faced tremendous growth for the past few years, world widely. *Sukuk* has been considered as one of the important components in the Islamic capital market whereby as one of the financial instruments that provide more returns to the issuers and eventually contribute to the economic growth of a country. Hence, this study attempt to examine the impact of *Sukuk* issuances on the economic growth of Malaysia over a period of 10 years from 2008 to 2017 on a yearly basis. There are six different types of *Sukuk* issuances which includes the long-term government/treasury/central bank (LGTC), long-term corporate (LCTE), long-term agency (LAGY), short-term government/treasury/central bank (SGTC), short-term corporate (SCTE) and short-term agency (SAGY) with the presences of the moderating variable which is the exchange rate (ER). The 10 years' time-series data were analyzed by using the diagnostic test, unit root test and multiple regression analysis. The findings indicate that with the presences of the exchange rate, LCTE, SGTC, SCTE and SAGY found to have a significant and positive relationship with the economic growth (GDP) of Malaysia, whilst LGTC found not to be significant but shows a positive relationship with the GDP in Malaysia, and last but not least, LAGY is found to be significant but shows a negative relationship with the GDP in Malaysia. Therefore, the *Sukuk* issuances give impact on the economic growth of Malaysia, whereby with the presences of the moderating variable, the long-term and short-term *Sukuk* issuances can spur the economic growth of Malaysia.

Keywords: *Sukuk* issuances, long-term, short-term, economic growth (GDP), Malaysia



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ABSTRAK

Pasaran *Sukuk* telah mengalami pertumbuhan luar biasa sejak beberapa tahun kebelakangan ini, di seluruh dunia. *Sukuk* telah dianggap sebagai salah satu komponen penting dalam pasaran modal Islam di mana sebagai salah satu instrumen kewangan yang memberikan lebih banyak pulangan kepada penerbit dan akhirnya menyumbang kepada pertumbuhan ekonomi sebuah negara. Oleh itu, kajian ini cuba mengkaji kesan terbitan *Sukuk* terhadap pertumbuhan ekonomi Malaysia dalam tempoh 10 tahun dari 2008 hingga 2017 secara tahunan. Terdapat enam jenis terbitan *Sukuk* yang termasuk kerajaan jangka panjang/perbendaharaan/bank pusat (LGTC), syarikat jangka panjang (LCTE), agensi jangka panjang (LAGY), kerajaan jangka pendek/perbendaharaan/bank pusat (SGTC), syarikat jangka pendek (SCTE) dan agensi jangka pendek (SAGY) dengan kehadiran pemboleh ubah sederhana yang merupakan kadar pertukaran (ER). Data siri masa 10 tahun dianalisis dengan menggunakan ujian diagnostik, ujian akar unit dan analisis regresi berganda. Penemuan ini menunjukkan bahawa dengan kehadiran kadar pertukaran, LCTE, SGTC, SCTE dan SAGY didapati mempunyai hubungan yang signifikan dan positif dengan pertumbuhan ekonomi (GDP) Malaysia, manakala LGTC didapati tidak signifikan tetapi menunjukkan hubungan positif dengan GDP di Malaysia, dan yang terakhir tetapi paling tidak, LAGY didapati signifikan tetapi menunjukkan hubungan negatif dengan GDP di Malaysia. Oleh itu, terbitan *Sukuk* memberi kesan kepada pertumbuhan ekonomi Malaysia, di mana dengan kehadiran pemboleh ubah sederhana, terbitan *Sukuk* jangka panjang dan jangka pendek dapat memacu pertumbuhan ekonomi Malaysia.

Kata Kunci: terbitan *Sukuk*, jangka panjang, jangka pendek, pertumbuhan ekonomi(GDP), Malaysia

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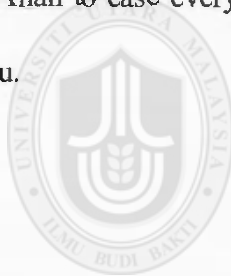
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TABLE OF CONTENT

TITLE	PAGE
Title Page	i
CERTIFICATE OF THESIS WORK	ii
PERMISSION TO USE	iii
ABSTRACT	iv
ABSTRAK	v
ACKNOWLEDGEMENT	vi
TABLE OF CONTENT	vii
LIST OF TABLES	x
LIST OF FIGURES	xi
LIST OF ABBREVIATIONS	xii
 CHAPTER ONE	
1.0 Introduction	1
1.1 Background of The Study	1
1.1.1 Overview of Malaysia <i>Sukuk</i> Issuances	4
1.1.2 <i>Sukuk</i> Issuances Impact on the Economic Growth	6
1.2 Problem Statement	7
1.3 Research Questions	10
1.4 Research Objectives	10
1.5 Significance of the Study	11
1.6 Scope and Limitation of the Study	11
1.7 Organization of the Study	11
 CHAPTER TWO	
2.0 Introduction	13
2.1 Economic growth (GDP)	13
2.2 Different Tenure of <i>Sukuk</i> Issuances	14
2.2.1 Long-Term <i>Sukuk</i> Issuances	14
2.2.2 Short-Term <i>Sukuk</i> Issuances	15
2.3 Different Type of <i>Sukuk</i> Issuances	17
2.3.1 Sovereign or Government <i>Sukuk</i> Issuances	17
2.3.2 Corporate <i>Sukuk</i> Issuances	18
2.3.3 Quasi-government or Agency <i>Sukuk</i> Issuances	19
2.4 Moderating Variable	19
2.4.1 Exchange Rate	20

2.5	Related Theory to the Study	21
2.5.1	Demand and Supply Theory	21
2.5.2	Theory of Planned Behaviour	22

CHAPTER THREE

3.0	Introduction	23
3.1	Research Design	23
3.2	Theoretical Framework	24
3.3	Description of the Variables	26
3.4	Hypothesis Development	27
3.5	Regression Model	29
3.5.1	Multiple Regression Models	29
3.6	Data Collection Procedures	31
3.6.1	Data Sources	31
3.6.2	Population and Data Collection	32
3.7	Data Analysis	32
3.7.1	Time Series	33
3.7.2	Diagnostic Test	33
3.7.3	Unit Root Test	35
3.7.4	Multiple Regression Analysis	35
3.8	Chapter Summary	36

CHAPTER FOUR

4.0	Introduction	37
4.1	Descriptive Statistics of Variables	37
4.2	Multicollinearity Test	39
4.3	Normality Test	41
4.4	Diagnostic Test	42
4.4.1	Homoscedasticity/Heteroscedasticity Test	43
4.4.2	Auto-Correlation Test	43
4.5	Unit Root Test	43
4.5.1	Summary of Unit Root Test Results	47
4.6	Multiple Regression Analysis	48
4.6.1	Summary of Multiple Regression Analysis Results	55

CHAPTER FIVE

5.0	Introduction	56
5.1	Recapitulation of Findings	56

5.1.1	Objective One.....	56
5.1.2	Objective Two	57
5.1.3	Objective Three	58
5.1.4	Objective Four	58
5.2	Contribution of the Study	59
5.3	Limitation of the Study	60
5.4	Suggestion for Future Research.....	60
References		62
Appendix		67



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LIST OF TABLES

Table 3.1	Description of the Variables	26
Table 4.1	The Result of the Descriptive Statistics of Variables	37
Table 4.2	The Result of the Multicollinearity Diagnostic Test	39
Table 4.3	The Result of the Correlation Matrix	41
Table 4.4	The Result of Skewness and Kurtosis Test	42
Table 4.5	The Result of Diagnostic Test	43
Table 4.6.1	Result of Unit Root Test for the GDP at 1 st Difference	44
Table 4.6.2	Result of Unit Root Test for the LGTC at Level	44
Table 4.6.3	Result of Unit Root Test for the LCTE at Level	45
Table 4.6.4	Result of Unit Root Test for the SGTC at 1 st Difference	45
Table 4.6.5	Result of Unit Root Test for the SCTE at Level	46
Table 4.6.6	Result of Unit Root Test for the SAGY at Level	46
Table 4.6.7	Result of Unit Root Test for the ER at 1 st Difference	47
Table 4.6.8	Summary of Unit Root Test Results	48
Table 4.7	Long-Term <i>Sukuk</i> Issuances in Malaysia	49
Table 4.8	Short-Term <i>Sukuk</i> Issuances in Malaysia	52
Table 4.9	Summary of Multiple Regression Analysis Results	55

LIST OF FIGURES

Figure 1.1	The Total Global <i>Sukuk</i> Issuances in US\$ Millions (2008-2017)	3
Figure 1.2	Malaysia's Total <i>Sukuk</i> Issued in RM (billion), (2010-1H2017)	5
Figure 2.1	The Total Global <i>Sukuk</i> Issuances in US\$ Millions (2008-2017)	16
Figure 3.1	The Theoretical Framework of the Study	25



LIST OF ABBREVIATIONS

EViews 9	(Econometric Views) statistical package for Windows 9
IIFM	International Islamic Financial Market
SPSS	Statistical Package for the Social Science



CHAPTER ONE

BACKGROUND OF THE STUDY

1.0 Introduction

This chapter consists of the background of the study in Section 1.1, the statement of the problem in Section 1.2, research questions and research objectives in Section 1.3 and Section 1.4 respectively. This chapter also includes the significance of the study in Section 1.5 and scope of the study in Section 1.6.

1.1 Background of The Study

Sukuk plural to *Sakk* refers as a legal instrument, deed, certificate, and check. *Sukuk* can be defined as certificates that can be traded at par, premium or discount in the Islamic capital market. According to the Accounting and Auditing Organization for Islamic Financial Institutions AAOIFI (2002), *Sukuk* refer to investment products and can be defined as "certificates of equal value representing undivided shares in ownership of tangible assets, usufructs and services or (in the ownership of) the assets of particular projects or special investment activity". *Sukuk* which act as an alternative to the conventional bond not only serve to the Muslim investors which looking for a *Shariah*-compliant bond that free from the "*riba*" or interest, but it also open to the non-Muslim investors where the profit earned is more worthwhile as compared to the conventional bond.

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Appendix

Appendix I

List of All Tenure and Type of Sukuk Issuers Collected From 2008-2017

LGTC	LCTE	LAGY
<ul style="list-style-type: none"> - Malaysia (Government) - BNM Sukuk Bhd 	<ul style="list-style-type: none"> - Menara ABS Bhd - Gamuda Bhd - Manfaat Tetap Sdn Bhd - Alam Maritim Resources Bhd - Sunway City Sdn Bhd - Pendidikan Industri YS Sdn Bhd - Tomei Consolidated Bhd - Al-Aqar Capital Sdn Bhd - BNM Sukuk Bhd - Syarikat Bekalan Air Selangor Sdn Bhd - Chin Hin Group Property Bhd - KNM Capital Sdn Bhd - Westports Malaysia Sdn Bhd - T7 Global Bhd - WCTBhd - Lingkaran Trans Kota Sdn Bhd - WCTBhd - Sunrise Bhd - Iris Technologies M Sdn Bhd - Serrisa Sinar Bhd - Total Mobile SDN BHD - Hong Leong Industries Bhd - Ground Team Red Sdn Bhd - Jimah Energy Ventures Sdn Bhd - Horizon Hills Development Sdn Bhd - Tanjung Langsat Port Sdn Bhd - Matang Highway Sdn Bhd - Projek Lebuhraya Utara Selatan Bhd - DHT1 Capital Sdn Bhd - Cimb Group Holdings Bhd - MRCB Southern Link Bhd - Instacom SPV Sdn Bhd - Mukah Power Generation Sdn Bhd - PLUS SPV Bhd - Rantau Abang Capital Bhd - T7 Global Bhd - Syarikat Borcos Shipping Sdn Bhd 	<ul style="list-style-type: none"> - Prasarana Malaysia Bhd - Khazanah Nasional Bhd - 1 Malaysia Development Bhd - Sabah Credit Corp

	<ul style="list-style-type: none"> - Malaysia Debt Ventures Bhd - Medini Iskandar Malaysia Sdn Bhd - Syarikat Bekalan Air Selangor Sdn Bhd - Projek Lintasan Shah Alam Sdn Bhd - Chemical Company of Malaysia Bhd - OCBC Al-Amin Bank Bhd - Diversified Venue Sdn Bhd - TH Group Bhd - TSH Sukuk Ijarah Sdn Bhd - Offshoreworks Capital Sdn Bhd - Midas Plantation Sdn Bhd - Pinnacle Tower Sdn Bhd - PLUS SPV Bhd - Penerbangan Malaysia Bhd - Tadamon Services Bhd - Maxtral Industry Bhd - Putrajaya Holdings Sdn Bhd - Danga Capital Bhd - Dawama Sdn Bhd - TH Plantations Bhd - Nam Fatt Corporation Bhd - Seafeld Capital Bhd - Weida (M) Bhd - Misc Bhd - Makro Utama Sdn Bhd - UMW Holdings Bhd - Cimb Islamic Bank Bhd - Tesco Stores Malaysia Sdn Bhd - Sime Darby Bhd - Symphony House Bhd - RH Capital Sdn Bhd - Naim Holdings Bhd - Alloy Properties Sdn Bhd - Danga Capital Bhd - MTD Infraperdana Bhd - New Pantai Expressway Sdn Bhd - Muhibbah Engineering (M) Bhd - Maju Expressway Sdn Bhd - First Abu Dhabi Bank PJSC - WCTBhd - Cj Capital Sdn Bhd - Lbs Bina Group Bhd - Alloy Properties Sdn Bhd - Celcom Networks Sdn Bhd - Padiberas Nasional Bhd - AmBank Islamic Bhd - Konsortium Lebuhraya Utara- 	
--	--	--

<p>Timur (Kl) Sdn Bhd</p> <ul style="list-style-type: none"> - TTM Sukuk Bhd - First Abu Dhabi Bank PJSC - Senai-Desaru Expressway Bhd - GovCo Holdings Bhd - Aman Sukuk Bhd - 1 Warisan Sdn Bhd - Westports Malaysia Sdn Bhd - Ranhill Group Sdn Bhd - Ranhill Powertron II Sdn Bhd - Bank Muamalat Malaysia Bhd - Sarawak Energy Bhd - Antara Steel Mills Sdn Bhd - NU Sentral Sdn Bhd - Sentral 384 Sdn Bhd - Adventa Bhd - Besraya (M) Sdn Bhd - Senari Synergy Sdn Bhd - AmBank Islamic Bhd - Midciti Resources Sdn Bhd - Kuala Lumpur Kepong Bhd - Manjung Island Energy Bhd - ANIHBhd - Mydin Mohamed Holdings Bhd - KMCOB Capital Bhd - Projek Lebuh raya Usahasama Bhd - Musteq Hydro Sdn Bhd - Alpha Circle Sdn Bhd - Maxis Bhd - Abu Dhabi National Energy Company PJSC - Tanjung Bin Energy Issuer Bhd - Encorp Systembilt Sdn Bhd - Johor Corp - United Growth Bhd - NUR Power Sdn Bhd - Kimanis Power Sdn Bhd - Axis Reit Sukuk Bhd - Columbia Asia Sdn Bhd - Turus Pesawat Sdn Bhd - Intiaz Sukuk Bhd - Weststar Capital Sdn Bhd - Symphony Life Bhd - Noble Group Ltd - National Higher Education Fund Corp - SAJ Capital Sdn Bhd - Maybank Islamic Bhd - BGSM Management Sdn Bhd - Fortune Premiere Sdn Bhd 	
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	<ul style="list-style-type: none"> - Puncak Wangi Sdn Bhd - Southern Power Generation Sdn Bhd - QSR Stores Sdn Bhd - TRIple Medical Sdn Bhd - Imtiaz Sukuk II Bhd - Quantum Solar Park (Semenanjung) Sdn Bhd - Danajamin Nasional Bhd - MKD Kencana Sdn Bhd - Alliance Islamic Bank Bhd - Hua Yang Bhd - GovCo Holdings Bhd - Boustead Holdings Bhd - Ihsan Sukuk Bhd - UEM Sunrise Bhd - Matrix Concepts Holdings Bhd - National Higher Education Fund Corp - Ihsan Sukuk Bhd - Tadau Energy Sdn Bhd - BEWG (M) Sdn Bhd - Spr Energy (M) Sdn Bhd - TIME dotCom Bhd - Rukun Juang Sdn Bhd - Small Medium Enterprise Development Bank Malaysia Bhd - DiGi Telecommunications Sdn Bhd - Public Sector Home Financing Board - YTL Power International Bhd - Quill Retail Malls Sdn Bhd - Samalaju Industrial Port Sdn Bhd - APM Automotive Holdings Bhd 	
SGTC	SCTE	SAGY
<ul style="list-style-type: none"> - Central Bank of Malaysia - Malaysia (Government) 	<ul style="list-style-type: none"> - Lingkaran Trans Kota Holdings Bhd - Oxbridge Height Sdn Bhd - Cellular Structures Sdn Bhd - Weida (M) Bhd - Atlan Holdings Bhd - Prinsiptek Corporation Bhd - Goodway Integrated Industries Bhd - M-Trex Corp Sdn Bhd - Gas Malaysia Bhd - PINS Capital Sdn Bhd - Ep Manufacturing Bhd - TSH Resources Bhd 	<ul style="list-style-type: none"> - Selangor State Development Corp - Bank Pembangunan Malaysia Bhd

	<ul style="list-style-type: none"> - Petron Malaysia Refining & Marketing Bhd - Malaysian AE Models Holdings Bhd -DeGemBhd - Horizon Hills Development Sdn Bhd - Bina Darulaman Bhd - SI Capital Sdn Bhd - FEC Cables (M) Sdn Bhd - Lafarge Malaysia Bhd - Hytex Integrated Bhd - Kwantas SPV Sdn Bhd -GB3 SdnBhd - Oilcorp Bhd - Evermaster Group Bhd - Capable Aspect Sdn Bhd - MM Vitaoils Sdn Bhd - Premier Nalfin Bhd - AEON Credit Service (M) Bhd - Tele Flow Capital Sdn Bhd - Horizon Hills Development Sdn Bhd - Drb-Hicom Bhd - Omesti Bhd -Glomac Bhd - England Optical Group (M) Sdn Bhd - Penang Port Sdn Bhd - Tomei Consolidated Bhd - KNM Capital Sdn Bhd - MB World Group Bhd - Sunrise Bhd - Poh Kong Holdings Bhd - Kinsteel Bhd - Intelbest Sdn Bhd - Pharmaniaga Bhd - Straight A's Portfolio Sdn Bhd - Cimb Group Holdings Bhd - Mulpha International Bhd - Tradewinds Plantation Capital Sdn Bhd - Medi Innovation Sdn Bhd - Hubline Bhd - Alam Maritim Resources Bhd - BBN Development Sdn Bhd - Binariang GSM Sdn Bhd - Glomac Regal Sdn Bhd - Nam Fatt Corporation Bhd - Cagamas Bhd 	
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|--|---|--|
| | <ul style="list-style-type: none"> - Dawama Sdn Bhd - Muhibbah Engineering (M) Bhd - MB World Group Bhd - Serrisa Sinar Bhd - Tele Flow Capital Sdn Bhd - Malakoff Corporation Bhd - Chin Hin Group Property Bhd - Minetech Resources Bhd - Tanjung Langsat Port Sdn Bhd - Pahlawan Power Sdn Bhd - DHTI Capital Sdn Bhd - Toyota Capital Malaysia Sdn Bhd - MB World Group Bhd - Medi Innovation Sdn Bhd - Sabah Ports Sdn Bhd - Hong Leong Industries Bhd - Tesco Stores Malaysia Sdn Bhd - Amat Suria Sdn Bhd - Medi Innovation Sdn Bhd - SapuraKencana Bayu Padu Sdn Bhd - Dawama Sdn Bhd - Sime Darby Bhd - TH Group Bhd - TSH Sukuk Ijarah Sdn Bhd - Prinsiptek Corporation Bhd - Naim Holdings Bhd - Pengurusan Air SPV Bhd - MB World Group Bhd - BBN Development Sdn Bhd - Point Zone (M) Sdn Bhd - MM Vitaoils Sdn Bhd - BBN Development Sdn Bhd - RH Capital Sdn Bhd - Point Zone (M) Sdn Bhd - Titijaya Land Bhd - Sunway Treasury Sukuk Sdn Bhd - AEON CO (M) Bhd - Matrix Concepts Holdings Bhd | |
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Appendix II

Diagnostic Test Results for All Type of Sukuk Issuances in Malaysia

Heteroscedasticity test

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.475982	Prob. F(7,38)	0.8458
Obs*R-squared	3.708187	Prob. Chi-Square(7)	0.8127
Scaled explained SS	2.322251	Prob. Chi-Square(7)	0.9399

Test Equation:

Dependent Variable: RESID^2

Method: Least Squares

Date: 04/12/19 Time: 12:06

Sample: 1 3907

Included observations: 46

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.008211	0.059369	0.138300	0.8907
LGTC(ln)	-3.43E-05	0.000236	-0.145276	0.8853
LC TE(ln)	0.000277	0.000800	0.346814	0.7306
LAGY(ln)	0.000822	0.000899	0.913623	0.3667
SGTC(ln)	2.88E-05	0.000395	0.073017	0.9422
SCTE(ln)	-0.000581	0.000538	-1.080406	0.2868
SAGY(ln)	-0.000134	0.003366	-0.039728	0.9685
ER	-0.003242	0.003724	-0.870653	0.3894

R-squared	0.080613	Mean dependent var	0.004799
Adjusted R-squared	-0.088748	S.D.dependent var	0.006573
S.E. of regression	0.006859	Akaike info criterion	-6.969876
Sum squared resid	0.001787	Schwarz criterion	-6.651852
Log likelihood	168.3072	Hannan-Quinn criter.	-6.850742
F-statistic	0.475982	Durbin-Watson stat	1.972330
Prob(F-statistic)	0.845849		

Appendix III

Results of the Multiple Regressions Analysis for Long-Term *Sukuk* Issuances in Malaysia

Dependent Variable: GDP
Method: Least Squares
Date: 02/21/19 Time: 11:59
Sample (adjusted): 1 3914
Included observations: 82 after adjustments

Variable	Coefficient	t-Statistic	Prob.
C		103.3820	0.0000
LGTC(ln)	0.1070	1.2400	0.2190
LCTE(ln)	0.2390	3.0020	0.0040
LAGY(ln)	-0.2810	-3.5300	0.0010
ER	0.5250	6.0950	0.0000
R-squared	0.5230		
Adjusted R-squared	0.4980		
F-statistic	21.1180		
Prob(F-statistic)	0.0000		

Dependent Variable: GDP
Method: Least Squares
Date: 03/06/19 Time: 16:28
Sample (adjusted): 1 3914
Included observations: 82 after adjustments

Variable	Coefficient	t-Statistic	Prob.
C		93.2410	0.0000
LGTC(ln)	0.0221	3.1901	0.0020
LCTE(ln)	0.0204	2.1740	0.0327
LAGY(ln)	-0.0422	-3.5570	0.0006
R-squared	0.2930		
Adjusted R-squared	0.2659		
F-statistic	10.7775		
Prob(F-statistic)	0.0000		